



## Legislative Fiscal Bureau

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June 4, 2001

Joint Committee on Finance

Paper #479

### **Provider Certification Staff (DHFS -- Medical Assistance)**

[LFB 2001-03 Budget Summary: Page 369, #21]

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#### **CURRENT LAW**

Under current law, DHFS is responsible for establishing the criteria for certification of medical assistance (MA) providers, certifying those providers and reimbursing those providers for services provided to MA recipients in accordance with criteria established in state and federal law, federal regulations and administrative rules.

The Bureau of Health Care Program Integrity (BHCPI) currently assigns 1.0 certification specialist to oversee provider certification policies and criteria. This position is responsible for developing policies and criteria for certification of providers, reviewing decisions on controversial or questionable applications submitted by providers seeking certification and coordinating with the Department of Regulation and Licensing (DRL) regarding standards for professional licensing standards and the status of a provider's professional license. The state's MA-fiscal agent, Electronic Data Systems, Inc., is responsible for processing paperwork submitted by providers seeking certification as an MA provider.

#### **GOVERNOR**

Provide \$144,600 (\$72,300 GPR and \$72,300 FED) in 2002-03 and 2.0 positions (1.0 GPR position and 1.0 FED position), beginning in 2002-03, to address increased provider certification workload. The bill would provide 2.0 auditors for BHCPI to review applications for MA certification and recertification, conduct on-site reviews, verify information provided in the application and determine an applicant's ability to provide services to MA participants.

## DISCUSSION POINTS

1. The requirements for certification of providers are identified in administrative rules. For most medical professionals, such as physicians, dentists, podiatrists, chiropractors, physical therapists and optometrists, holding a current license to practice is sufficient to become certified to provide services under the MA program. Other professionals, such as audiologists, occupational therapists, alcohol and other drug abuse treatment providers, must be accredited by national professional accrediting organizations or meet other professional certification requirements established by other agencies. MA certification standards are more extensive for providers of certain services where other such licensing, accrediting or certification standards are not available, such as providers of case management, personal care and specialized medical vehicle (SMV) transportation services.

2. Since 1992, the number of certified MA providers has increased from approximately 30,000 to over 42,000. The certification process has become more complex as a result of increased certification requirements for a number of provider groups, including home health agencies, durable medical equipment suppliers, agencies providing respiratory care services and specialized medical vehicle transportation services.

3. DHFS indicates that the 2.0 auditor positions would perform verification and investigative functions that the current 1.0 certification specialist is unable to do. These auditors would conduct background investigations on new applicants to determine if a provider has been convicted of fraud or terminated as a provider from MA or Medicare. Additionally, through on-site interviews, these auditors would verify the information provided on the certification application and determine if adequate supplies and inventory exist to provide services and that services are actually being performed.

4. In a February, 2001 report, the Office of the Inspector General (OIG) in the U.S. Department of Health and Human Services recommended that the Health Care Financing Administration (HCFA), in conjunction with states, strengthen the certification standards for MA providers by duplicating or closely paralleling those used for Medicare. Specifically, the OIG report identified the need for states to independently verify information submitted by providers, conduct on-site visits to provider offices and verify whether a provider is excluded from participating in other federal programs, since federal law prohibits the distribution of federal funds to these providers. In its comprehensive plan for program integrity, HCFA indicates that it has been successful in identifying problem suppliers of durable medical equipment through the use of on-site visits for all new suppliers seeking certification under Medicare and intends to apply the use of on-site visits to other categories of providers.

5. DHFS indicates that its current auditor staff level is not sufficient to adequately verify information provided by providers on certification applications and conduct on-site visits as recommended by the OIG. Currently, only SMV transportation providers are subjected to on-site reviews prior to full certification. Once an SMV provider completes the application for certification and provides all the required information, that provider is given provisional certification for six

months, until an on-site review can be performed. These reviews are considered audits and can involve recovery of any payments made during the six months if the review determines that improper payments were made.

6. DHFS indicates that its efforts to improve the verification of provider information prior to certification would initially focus on those providers of services that are not otherwise regulated either by DHFS or the Department of Regulation and Licensing. DHFS would first modify the certification requirements for suppliers of durable medical equipment to specify that all new suppliers could not be certified until the on-site review was complete.

7. Consistent with the OIG recommendations, to prevent possible fraudulent activity, it may be appropriate to increase DHFS' resources to verify information on a provider's certification application prior to full certification. With the current DHFS staffing level, such providers may not be identified until after a provider has been paid for services. While DHFS can always proceed against a provider that commits fraud against MA, such post-payment recoveries may not always be easy to collect.

8. The bill would provide \$144,600 (all funds) for costs associated with providing 2.0 auditor positions in 2002-03. However, it is estimated that the cost to provide 2.0 auditor positions would total \$123,000 (\$61,500 GPR and \$61,500 FED) in 2002-03. Therefore, if the Committee chooses to authorize the positions recommended by the Governor, the funding in the bill should be reduced by \$21,600 (\$10,800 GPR and \$10,800 FED) in 2002-03 to reflect reestimates of the costs of 2.0 auditor positions.

9. The Committee could provide \$61,600 (\$30,800 GPR and \$30,800 FED) and 1.0 (0.5 GPR and 0.5 FED) auditor position to increase DHFS activities to verify information included with the certification application and increase on-site reviews of providers seeking certification. Such action would reflect a recognition that verification of information included in certification applications is a priority, but that sufficient information is not available to justify 2.0 auditor positions. Since these activities are not currently being performed, except with respect to SMV service providers, providing 1.0 position could be considered sufficient increase in resources to conduct such activities.

10. Finally, the Committee could delete the positions recommended by the Governor if it determines that sufficient information is not available to justify increasing verification activities related to provider certifications. If investigation of new applicants for certification is a priority, DHFS could reassign its existing audit staff to conduct these investigations. Such is the case with the current on-site reviews of SMV service providers. However, doing so would divert these staff from audits of existing providers.

**ALTERNATIVES TO BASE**

1. Adopt the Governor’s recommendation to provide 2.0 auditor positions, beginning in 2002-03. In addition, reduce funding in the bill by \$10,800 GPR and \$10,800 FED to reflect reestimates of the costs of these positions.

<b>Alternative 1</b>	<b>GPR</b>	<b>FED</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$61,500	\$61,500	\$123,000
<i>[Change to Bill]</i>	<i>- \$10,800</i>	<i>- \$10,800</i>	<i>- \$21,600]</i>
<b>2002-03 POSITIONS</b> (Change to Base)	1.00	1.00	2.00
<i>[Change to Bill]</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00]</i>

2. Reduce funding by \$41,500 GPR and \$41,500 FED and delete 1.0 position (.50 GPR position and .50 FED position) in 2002-03 to provide 1.0 auditor position for BHCPI.

<b>Alternative 2</b>	<b>GPR</b>	<b>FED</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$30,800	\$30,800	\$61,600
<i>[Change to Bill]</i>	<i>- \$41,500</i>	<i>- \$41,500</i>	<i>- \$83,000]</i>
<b>2002-03 POSITIONS</b> (Change to Base)	0.50	0.50	1.00
<i>[Change to Bill]</i>	<i>- 0.50</i>	<i>- 0.50</i>	<i>- 1.00]</i>

3. Delete provision.

<b>Alternative 3</b>	<b>GPR</b>	<b>FED</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$0	\$0	\$0
<i>[Change to Bill]</i>	<i>- \$72,300</i>	<i>- \$72,300</i>	<i>- \$144,600]</i>
<b>2002-03 POSITIONS</b> (Change to Base)	0.00	0.00	0.00
<i>[Change to Bill]</i>	<i>- 1.00</i>	<i>- 1.00</i>	<i>- 2.00]</i>

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